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THE PRESENT STATE OF INDUSTRY IN
THE PEOPLE'S COMMUNES AND ITS CHARACTERISTICS

By Ozaki Shotaro

- COMMUNIST CHINA -

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THE PRESENT STATE OF INDUSTRY IN THE PEOPLE'S COMMUNES AND ITS CHARACTERISTICS

-COMMUNIST CHINA-

[Following is a translation of an article written by Ozaki Shotaro in Ajia Keizai Jumbo (Asian Economic Ten Day Report), Tokyo, No. 451, 1 December 1960, pages 1-10.]

1. Present State of Industrial Development of People's Communes

By October of 1959 industrial enterprises of the people's communes throughout the nation had reached 700,000 units and were employing over five million people. Most of these people were from rural communes. By the middle of 1960 those attached to the urban people's communes had already reached 20 million. In 1959 the industry of the people's communes accounted for ten percent of the nation's total industrial output. Since there are about 200 million agricultural workers throughout the country, the five million who are employed in rural people's communes' industries make up approximately 2.5 percent of the nation's agricultural work force. One of the characteristics of the people's commune economy is its coordination; it might be said that this coordination is especially apparent in the direct fusion of agriculture and industry. But, of course, there are not industrial enterprises to be found at all the people's communes, and [those that do exist] are not all developing. Further, commune industry is not limited to the urban scene. Let us look now at the development of commune industry. Our example will be Shansi Province.

Among the 942 people's communes of Shansi Province, 917 have industrial enterprises. These have reached 5967 in number. This is a ratio of over six enterprises to a commune, if we take the average. The total number of employees is 171,251, or 3.24 percent of the province's rural labor force. The sum total of industrial production for all the rural people's communes of the province for the year 1959 (the commune class of operations only, not including production brigade operation) was 181,460,000 yuan (one yuan is equal to 150 yen). Compared with 1958 this is an increase of 27.17 percent. This accounts for 7.78 percent of the province's industrial and agricultural production (including state-operated industry) and is 58.4 percent of commune-operated industrial and agricultural production of all the province's people's communes. Of this, in 1959 in the P'u-chung local district (ti-ch'u) three communes had 40-50 percent of commune industrial pro-

duction of the total commune industrial and agricultural production, three had 30-40 percent and 15 communes accounted for 20-30 percent. The speed of growth is unprecedented; in the first half of 1959 alone rural people's commune industrial enterprise units numbering 2920 were newly formed in Shansi Province. This makes up 48.6 percent of the enterprises now in existence. During this period the number of those employed grew to 65,778, or 38.41 percent of the present total. As to the question of scope, 270 units (4.53 percent) have more than one hundred workers, 700 enterprises (11.73 percent) have 50-100 employees, and those with less than 50 workers number 4997 (83.74 percent). If we look at the percentages of the various industries as listed in the following table, we shall be able to acquaint ourselves with the established characteristics of communal industry.

<u>Type</u>	<u>Percentage</u>
Farm implements manufacture, repair, assembly	24.2
Agricultural by-product processing	9.8
Construction material manufacture	8.71
Chemical industry, chemical fertilizer, <i>chemicals(?)</i> agricultural <u>medicine</u> manufacture	9.42
Foodstuff processing	4.64
Coal mining	4.00
Textile manufacturing	0.09
Printing	0.03
Knitting and weaving industries	2.3
Metallurgical refining	1.36
Wood-working	1.24
Ceramic manufacture	0.9
Paper manufacturing	0.7
Light generators	0.64
Transport	11.34

<u>Type</u>	<u>Percentage</u>
Other industrial categories	11.97

As is obvious from this table, commune industry serves agriculture, first and foremost. Its first objective is to produce the production goods, manufacture agricultural medicine and chemical fertilizer, and make and repair farm tools; its second duty is production for the consumption of the farming people. Also mining, metallurgical refining and the generation of electricity are operations which are of paramount importance in industrializing rural areas.

Let us next look at the condition of the equipment of these industries. Because of their rapid growth, the communal industries have been able to accumulate large amounts of capital, and it is with this that they are promoting further growth. Thus industrial capital accumulated by the communes has now (the end of 1959) reached 57,168,273 yuan, and of this, 28,822,801 yuan, or approximately half, is fixed capital. Primary power equipment installed with this capital totals 2720 pieces and has a combined horsepower of 20,303.5 Hp. Workshop machinery of all kinds of both foreign and domestic manufacture amounts to over 12,200 pieces. Also by use of this capital, about 60 percent of the enterprises which manufacture and repair machinery have been mechanized or half-mechanized.

Next let us look in the following chart at the manufacture of the principal products of industrial enterprises during 1959 and its effects.

<u>Type</u>	<u>Amount</u>	<u>Effect</u>
Farm implements	30,088,231 items (including repair and re- newing)	Vehicular transpor- tation by 2114 brigades for 151 communes
Tools to process agricultural by- products		
Implements used in transport		
Pig iron	36,423 tons	Served as material used in manufacture of tools
Other types of pro- duction tools	6,018,899 items	
Domestic chemical fertilizer	184,226 tons	
Agricultural medicine	1,789 tons	

<u>Type</u>	<u>Amount</u>
Milling	19,958 tons
Food oil manufacture	6,069 tons
Brewing	769 tons
Clothing accessories	3,958,509 items
Coal mining	4,464,224 tons
Sulfur production	3,345 tons
Brick manufacture	318,930,000 bricks
Ceramic manufacture	2,866,600 pieces
Domestic paper production	over 860 tons
Soda	946 tons
Industrial articles for daily use	2,990,000 items

It is by means of this kind of commune industrial growth that the relative importance of industry within industrial and agricultural production of rural people's communes has reached 58.4 percent. In the sphere of capital accumulation, too, commune industry fulfils an extremely vital function. In Shansi Province's Chieh-hsiu Hsien, for instance, it was 38.51 percent of the total capital accumulation in agriculture in 1959. Further if we allocate this capital accumulation on a labor power per capita basis, the working power of one agricultural laborer in 1959 equals 34 yuan, but the industrial manpower per capita (an average of all employees) equals 380 yuan (11 times that of the agriculturist).

Besides this, the majority of technicians and skilled workers have been trained in commune industry. In 1959 alone more than 50,000 technicians were trained to operate both domestic and foreign machinery in the rural people's communes of Shansi Province.

If we look at the wage system, we see that the wage of the commune industrial worker, in most local areas, is lower than that of the worker of the hsien-operated industries, but the principle that his wage be 15-20 percent higher than the agriculturist on the land's average income has been realized. For calculating the wage, there are both the piece rate and the hour rate systems. The hourly wage system is believed to be the better, but that method is used, in the main, to establish wage standards proportional to the degree of technical difficulty and/or laboriousness. The policy of not cutting the wages of

workers transferred from hsien-operated factories and handicraft unions is followed. Apprentices, generally, are granted only small allowances and money for food on a par with the people of the local area. As for labor protection and welfare, they enjoy the same benefits as the commune members and the workers who take part in commune operations.

For the distribution of profits the following three methods are used in Shansi Province at the present time.

- (1) Ten percent of the net profit total is reserved for the factory, going into group welfare projects and bonuses. The rest is given to the commune.
- (2) According to the size of each of the factories' profits, the money is distributed at a two to eight, a three to seven, or a four to six ratio (the six, seven and eight parts going to the commune).
- (3) This does not happen in many cases, but in some communes factory profits are not turned over to the commune, or a very small amount is turned over.

(The above material on commune industry in Shansi Province is from the article "The Growth of Commune-operated Industry in Shansi Province" as it appears in Economic Studies, No. 4, 1960.)

With the above I think I have made fairly clear the general condition and the importance of commune industry. I should like next to investigate the relationship between commune industry and the three-class ownership system.

2. The Three-class Ownership System and Commune Industry (Taking as an Example Peiping City's T'ung Hsien)

Through the policy of the Chinese Communist Party Central Committee and the implementation over approximately a year period by the people's communes throughout the country, a three-class ownership system was established in the people's communes. At the commune class relatively large industrial enterprises and flood control and irrigation projects are in operation, as are forestry, stock breeding, fishing and orchard operations and tractor stations. Furthermore an agricultural implements repair factory and other small scale factories have come to be managed by the production brigade. In looking at the real situation in T'ung Hsien, we see that production brigades use the collective ownership of land as their foundation. In addition to owning the other means of agricultural production, housing, orchards, irrigation and drainage machinery, seed and feed grain, they operate small industries that are unprofitable for the united operations of the communes. They also raise pigs and chickens and conduct fishing operations. The communes hold under immediate control the various industries and production brigades and have tractor stations, water pumping facilities, pastures, fishing areas, orchards, seed plots and transportation units.

Next, in order to clarify the responsibility of the production sub-brigade (hsiao-tui) and to demonstrate its importance, the owner-

ship system was recognized to a certain extent. Toward the sub-brigades the brigades adopt the ~~ssu-pao-i-chiang~~ "ssu-pao-i-chiang" system [Free translation of ssu-pao-i-chiang is "Bonus system for four sectors of industry." Literal translation is "Four packages, one incentive" with 'pao' being a numerical adjunct for anything wrapped or packaged.] (norms for labor, production, investment and wage totals are established, and to the sectors that show efficiency beyond these norms, 80-85 percent of the profits are given as bonuses.) With the accumulated [capital] received in this way subsidiary industries and repair factories are operated that will not interfere with the production plans of communes and production units. The sub-brigade economy, of course, is on a very small scale, but its existence cannot be ignored, nor can its role be made light of. In 1959 the income of all the production sub-brigades in T'ung Hsien from their enterprises was 330,000 yuan (about 50 million yen), about 0.8 percent of the 1959 all-hsien total commune production in industry and agriculture.

There are now eight people's communes in T'ung Hsien. The former hsien seat of T'ung Hsien has become the T'ung Chen People's Commune. Taking the average of the eight communes, we see in the table that follows that of the total industrial and agricultural production for 1959, production from the commune-held industrial and agricultural enterprises came to only 28.4 percent. Production brigades accounted for 70.8 percent. The remaining 0.8 percent came from the production sub-brigades.

Basic Relationships of T'ung Hsien People's
Communes' Ownership Classes (1959)

	<u>Total</u>	<u>Commune Class</u>	<u>Production Brigades</u>	<u>Production Subbrigades</u>
Total Hsien Industrial and agricul- tural produc- tion	100	28.4	70.8	0.8
Accumulated community funds	100	48.2 ⁽¹⁾	51.8 ⁽³⁾	0
Distribution to commune members	100	6.3 ⁽²⁾	91.8	1.9

Note: (1) This does not include money given communes by production brigades.

(2) This is total wage paid by enterprises under control of communes.

(3) This includes that paid to communes by both brigades and sub-brigades.

The relative importance of the commune class in this table is, from the standpoint of production, only 28.4 percent; yet the relative importance of it in the accumulated community total is 48.2 percent, nearly half of the total. Now we comprehend the importance of the commune class ownership system. On the one hand, when we look at the income distribution percentage paid to the commune member, we see that the amount from the production brigades is 91.8 percent. Hence we can see that with a wage payment of 6.3 percent, the commune class contributes 48.2 percent of the accumulated community fund. This shows the high productivity of labor in commune industry.

This is especially the case in the T'ung Chen (hsien seat) People's Commune. Here commune-allied industries have an importance that is very apparent, as we can see from the table which follows.

Comparative Income of T'ung Chen People's Commune
in 1959 by Commune and Production Brigade

	<u>Industry</u>	<u>Agri- culture</u>	<u>Forestry</u>	<u>Stock Breeding</u>	<u>Subsidiary Industries</u>	<u>Fishing</u>
Commune operated	4,506,725	---	5448	16,298	16,701	---
Production brigade operated	50,733	1,119,363	---	35,097	345,712	90,806

(above units are yuan)

With the realization of the people's communes (through mutual cooperation and competition between the production brigades and direct financial and material aid from the communes) the disparity of wealth between the various production teams shrinks. Also an important function of the emergence of the people's communes is the creation of the potential for growth. In addition, the synthesization of the operations of communes, brigades, and sub-brigades, respectively, and especially the synthesization of industrial and other undertakings has made possible the supplementing of the various weak and strong points of physical geography. In agriculture itself it demonstrates the advantages which could not be realized by single-crop farming, / this term means single-

crop farming, but by context it implies farming by a single individual. ⁷ and conditions of physical geography can be quickly overcome.

For instance, the Tung-kuan production brigade of the T'ung Chen People's Commune was the most penurious brigade in T'ung Hsien. Besides wanting in labor power (on the basis of population), the land was extremely unproductive. After the establishment of communes, large scale flood control and irrigation projects were undertaken, arable fields and gardens were developed and soil improvements were carried out extensively (for these kinds of projects over 10,000 yuan (1,500,000 yen) was lent to this brigade from the commune and 3000 yuan was given gratuitously as assistance capital.) All this was done by means of gratuitous labor aid given by other brigades and financial and material assistance given by the commune. Thus in 1959 this brigade enjoyed a bountiful harvest, catching up with and passing the other richer production units. This brigade also expanded industry and subsidiary works. Before this, in T'ung Chen there had been practically no industry, nor was there much in the Tung-kuan brigade. As a result of the enlargement and expansion of transportation units and food processing facilities and the improvement of operation management, income from industry and subsidiary works reached 58.61 percent of total income. Further, looking at the over-all picture, we see that this brigade enjoyed a 46.86 percent rise in total income in 1959 from the 1958 figure.

These facts make clear to us the strong points of people's communes, especially people's commune industry. The simple farming enterprise alone cannot hope for an expansion of production, and in a capitalistic society this is the phenomenon of the poor harvest. Even in a socialistic society the simple farming enterprise is limited greatly in development by the fertility of the land and other natural factors. The same is the case where there are expansive virgin lands, as in the Soviet Union. In the following table we can perceive the importance of synthesized operations, especially those of industry, quite clearly.

Diversified Operations and Development
of T'ung Hsien People's Communes (1959)

1958 equals 100

	<u>Industry</u>	<u>Agriculture</u>	<u>Vegetables</u>	<u>Stock breeding</u>
Production total index	599	111.5	162.6	539.6
	<u>Forestry</u>	<u>Subsidiary Works</u>	<u>Fishing</u>	<u>Other</u>
Production total index	9900	310	349.2	226

And in the following table (in addition to the table given before showing the basic ownership classes) the superiority of industrial operations is quite obvious.

Development of Industrial Operations of People's
Communes in T'ung Hsien (1959)

1958 equals 100				
Mining and Manufacturing Enterprises	Employees' (Percentage)	Production (Percentage)	Profit (Percentage)	
Index or Actual figure	(Actual)			
831	356	599	937	

In other words, as opposed to the number of employees which, over a one year period, increased about three and-a-half fold, production increased sixfold. What is more, during this period profit increased nearly nine and-a-half fold. Figures like those in this table substantiate the importance of commune industry as discussed earlier in terms of capital accumulation. If in this case, the operation of the simple farm had continued, the agricultural production index for the year would not have reached 111.5 percent and the 162.6 percent for greens cultivation could not have been exceeded. Also large scale flood control and irrigation projects like the ones which follow would probably not have been accomplished because of capital and other factors. Most certainly, such great growth would not have been realized.

The Progress of Water Projects from the Creation
of the T'ung Hsien People's Communes
(cumulative total)

	1957	1958	1959
Reservoirs	1	5	10
Pumping stations	1	4	25
Canals (in kilometers)	5	400	1964
Irrigated area (in mou)	44,000	750,000	830,000

(The above material relating to T'ung Hsien comes from an investigation report printed in Economic Studies, No. 4, 1960.)

3. The Special Characteristics of Industry in the People's Communes

Next I should like to make some concluding remarks regarding the special characteristics of industry in the people's communes.

I believe that the existence of people's commune industry is one of the two overriding characteristics of the people's communes. One is 政社合一 "cheng-she-ho-i" / literal translation: policy and society come together into one. The other one is, I think, to be found in the existence of industry, the direct fusion of industry and agriculture. (In cases where we see the economic fusion of industry, commerce, agriculture, education and the military, the hard core, we may say, is in the direct fusion of industry and agriculture.) This second characteristic is one of an intrinsic nature not to be found in the Soviet Union's kolkhoz or sovkhoz. Among theorists there are people who believe that the people's commune made its appearance at one time in the Soviet Union and that it is a re-issue of the short lived commune. Yet the commune differs clearly with the people's commune on the matter of "cheng-she-ho-i", that is to say, whether or not the aim of the program is the industrialization of agriculture. Those people who emphasize the similarities of the commune and the people's commune see a resemblance between, on the one hand, the people's commune system of supply and the principles of communistic distribution of the commune with which they were much impressed. This may be because in the people's communes there is clearly manifested a thoroughgoing social security system, but the supply system of the people's communes is certainly not something that operates on the principles of communistic distribution alone. The principle of socialistic distribution was able to materialize because it was supplemented by a thorough social security system. I feel that this is something that must be viewed as inseparably related to the people's commune wage system.

The commune, thought to be closer to the people's communes, had in its bylaws the following: "In accordance with the extent of need and possibility various factories will be built for product production for its own economic needs, and for the purpose of exchange. In addition, the commune will be able to undertake transportation and the processing of forest timber." (article 13 of Model Laws) It is also stipulated (in the general provisions): "Effort must be made to the end that communistic distribution is effected between the regular members of the commune of products of communistic production as well as products received from the Socialistic Proletariat-Peasant Government. For this purpose the commune must organize communal housing and dining facilities and communal workshops for laundry and for the manufacture of clothes and underwear." The direct fusion of industry and agriculture, that is, with agriculture (the commune) possessing its own means of production, was not consciously indicated, nor was a policy of agricultural industrialization. I do not know all the details, however there appears to be no actual record of a commune possessing its own means of production or initiating industry on a broad scale for

consumer production. Furthermore, in dealing with the TOZ (Tovarishchestvo po sovместnoy obrabotke zemley -- Association for Joint Cultivation of Land) and artel models and the kolkhoz and sovkhoz, the question of the direct fusion of industry and agriculture was never raised.

However the direct fusion of industry and agriculture in the communes was considered by Marx and Engels to be the indispensable condition for communist society and the basic social structure of communist society. In China the people's commune is not only thought of as the basic social configuration of a communist society, it is the basic social configuration of the transitional period from socialist reconstruction and Socialism to Communism. And because of this, it is considered to be the most appropriate fundamental society. "Mutual fusion of industry, agriculture, commerce, education and military" is given as one of its basic characteristics. Of course, there is no one concrete road or form to be taken in the transition from Capitalism to Socialism. Likewise in the move from Socialism to Communism there may be, based on the special situation confronting each nation, a specific course or method to follow or a definite political and economic structure suitable to that nation. When it comes to which course will be pursued or which method will be utilized, [we] cannot think in terms of any particular standard. However in such a situation there is need, in marching to the objective, for adequate preparation, calculation and consideration of what is the shortest course, the method most capable of attainment, the most appropriate formula.

The productivity of agricultural labor and the growth of agriculture are restricted by natural and social conditions. Agriculture cannot help but lag far behind industry in these areas. The solution of this contradiction lies either in the continuation of large scale assistance to agriculture from industry and the state (the proletariat) or in the industrialization of agriculture itself and the rapid acquisition by agriculture itself of extensive reproduction requisites. I think one of the more important, nay, one of the most important conditions necessary for the fusion of agriculture and industry and the industrialization of agriculture and the building of extensive reproductive power in and by agriculture is the accumulation by agriculture itself of capital to be used for expansion, together with the production by agriculture of agricultural machinery, farm chemicals, fertilizer and so on. In this sense it must be said that the significance of people's commune industry which seeks in China the fusion of industry and agriculture is extremely great. This is not all. As we have seen from the facts of Chinese commune industry, commune industry supplies to state-operated industry raw material, parts and even some machine equipment. It assists state-operated industry by exploiting raw material and underground resources scattered throughout the country. Further, it is a reservoir of extensive technical skills which supplies to state-operated industry trained workers and technicians. Is not the fusion of industry and agriculture in the commune the most necessary and the most efficacious way for resolving step by step the differences and the contra-

dictions of city and village, laborer and farmer, industry and agriculture? Year by year in the Soviet Union, while receiving assistance from all sides, the disparity of the speed of development between agricultural labor productivity and industrial labor productivity grows larger. In China they are endeavoring to gradually bring these two closer together, and they are getting results. On this point commune industry is fulfilling an important function. Its function will be even more important in the future.

I have not covered completely the significance of commune industry here, but this may be of value for research purposes.